

## Letter to the stakeholders

2014 was an important year for Intesa Sanpaolo, with the presentation of a business plan designed to reinforce our mission of serving households and businesses and changing our way of banking in order to seize new growth opportunities in a continuously changing environment. The Sustainability Report aims to present to stakeholders our commitment to supporting the real economy, with a view to creating value over the long-term for the Bank and its people, for the community and for the environment. This is the concept of sustainability that Intesa Sanpaolo has adopted.

Today, Intesa Sanpaolo is profoundly different from the Bank created in 2007 from the merger of Intesa and Sanpaolo IMI, and it is one of the leading European banks in terms of capitalisation and total assets. It is in the top position in all market segments in which it operates in Italy; it has a select global presence on the international markets, where increasing investments in its shares by foreign institutional investors have been witnessed.

The economic scenario faced by the Bank in 2014 was still characterised by difficulties at international and domestic levels.

The slight deceleration of emerging countries was offset by the limited recovery of advanced ones, thanks to the United States and to the Eurozone, where GDP resumed growth after two years of recession. The global growth rate remained at a modest 3.3% according to estimates by the International Monetary Fund. This scenario is still suffering from fragility and lack of uniformity on a prospective basis as well.

The spectre of recession and the geopolitical tensions in nearby areas have also weighed on Italy. Real GDP decreased for the third year running, although to a lesser extent than in the two previous years, reaching -0.4% in 2014. While consumption by households began to stabilise during the year, gross fixed investments remained negative, weakening the prospects for recovery of industrial production. At the end of 2014, the climate of trust, production orders, the trend in the exchange rate and oil prices and the adoption of extraordinary expansive policies by the ECB supported expectations of a cyclical inversion and the easing of deflationary pressures. These forecasts were strengthened at the beginning of 2015.

Despite the expansive monetary policy and the innovative instruments defined by the ECB, such as the Ltro and T-Ltro, the continued high default rates last year, especially among the SMEs, kept the doubtful loan ratio and relative provisions at record levels, preventing monetary policy from fully impacting interest rates in the private sector. Credit volumes remained limited, also due to lack of demand for profit-making investments; households have resumed saving but without investing, due to the continued uncertainty with regard to the future.

Intesa Sanpaolo has committed to changing this scenario, providing a solid boost to the real economy with 34 billion euro in new medium and long-term loans to households and businesses, of which 28 to Italian customers. Our Bank has been the main provider of credit to the Italian economy, well beyond its market share. At the same time, the profit objective of the 2014-2017 business plan has been exceeded, thanks to the results of core business, which made a significant contribution to forming a net income of approximately 1.7 billion euro, gross of the retroactive increase in taxation of the capital gain on the stakes in the Bank of Italy.

The ongoing crisis has increased the risk level of loans, which Intesa Sanpaolo has handled through organisational measures as well as through recourse to external vehicles, in collaboration with other private entities.

The shift to single supervision represented an opportunity to take on a new organisational and operational challenge, confirming Intesa Sanpaolo's role as top European player. The Bank successfully completed the Comprehensive Assessment, an exercise conducted by the ECB and EBA to evaluate credit quality and resilience to extreme shocks.

The approaching expiry of term for the current Boards has led to the establishment of a Committee to assess the Bank's Governance. Its objective is to propose amendments that could further improve the efficiency of our decision-making process, the effectiveness of risk control and the breadth of our strategic vision, optimising on the best experiences at international level.

Attention to people, which is an integral part of the Business Plan, resulted in the reassignment of approximately 2,600 employees to priority initiatives, maintenance of the employment levels, activation of the widespread share ownership plan (with participation by over 79% of those entitled) and substantial investments in innovation. Moreover, Intesa Sanpaolo has been working for several months now as Official Global Sponsor of Expo 2015, an event that will be officially inaugurated in just a few days and which is expected to serve as a driving force for our country's economic growth, with positive repercussions for the entire company in the immediate future.

We are a responsible financial intermediary that generates collective value, with the awareness that innovation, development of new products and services and responsibility of companies may contribute to reducing the impacts on society of phenomena such as climatic change and the dramatic growth of social inequality.

This understanding has led to the commitments we have undertaken with major international organisations such as the Global Compact, an initiative launched by the United Nations to promote environmental protection, respect for human rights and the fight against corruption, as well as the Equator Principles, guidelines based on the World Bank standards to assess and manage impacts on the environment and communities in project financing. These guidelines, as well as the broadest social promotion objectives pursued by the United Nations, inspired the choices made by Intesa Sanpaolo, which fully participates in the community of businesses bearing witness to the concrete possibility of combining social development and economic growth.

Today, Intesa Sanpaolo is a highly competitive Group, among the best at European level in terms of solidity and management of risk and playing a leading role in its segment. This result is due to a change in pace, also made possible through the involvement and perseverance of the people working in the Group with passion and professionalism, to whom we extend our deepest gratitude.

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